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STATE OF THE STATE MESSAGE

TO THE

HONORABLE MEMBERS OF THE 80TH GENERAL ASSEMBLY

BY

GOVERNOR JAMES R. THOMPSON

January 11, 1978

Speaker Redmond, President Hynes, my fellow Constitutional officers, Honorable Members of the 80th General Assembly, honored guests and citizens of Illinois.

The year 1977 brought much change for the people of our state. And nowhere was this more true than in government.

As the year began, personal tragedy had combined with electoral verdicts to yield new leadership, not only in the Nation's Capitol and in the State Capitol but in our largest city as well. In addition, the General Assembly of Illinois was faced with the task of choosing majority leadership in both houses.

What would all these new people do? Even more importantly, how would they relate to each other, in a world where levels of government become more interdependent every day?

From the start, it was a fair bet that certain policies and programs would be altered or abolished. New people would bring new ideas . . . and want new laws to make them reality.

But there was something even more . . . a question that transcended the new faces and the philosophies they brought to office. Especially in Springfield, the presence of such a different cast on both sides of the aisle was seen by many people as a great opportunity.

An opportunity to change not only the personnel and the policies of government but the very climate in which those policies were created. To improve not only the laws, but the process of lawmaking itself.

Unencumbered by past association, we were free to redraft the unwritten rules of the game.

Free to treat each other with respect and maturity and thereby increase the people's respect for government.

Free also to increase the government's respect for the people by dealing with difficult problems in an open manner, and by letting the voters have more information to use in helping us to arrive at those decisions.

Author E. B. White once said, "Democracy is a recurrent suspicion that more than half of the people are right more than half of the time." We had a unique opportunity in 1977 to show that we shared that suspicion . . . and if we did not seize that chance, it might not come again for a long, long time.

It is to the everlasting credit of the 80th General Assembly of Illinois that it did seize that chance. And for that I want to thank every one of you . . . leadership and membership . . . young and old . . . Republican and Democrat.

The first and most notable change was the improved relationship between those who make the laws and those who administer them. In last year's State of the State message I declared the war between the Governor's Office and the General Assembly to be over. You showed by your applause that you welcomed that peace initiative.

Even more importantly you showed by your actions all year long that we could keep that peace.

That did not mean that we always agreed, as the record of vetoes and veto overrides would make plain to anyone. But we did battle with respect for each other's role in the process of government. And it is not too much to say that the civil tone of our discourse, played a large part in our ability to come together on so many important issues.

That ability couldn't have appeared at a better time. For in truth, the state of our State at the beginning of last year was not very good.

I chose to deliver the 1977 State of the State report in conjunction with the annual budget message. The reason for that was not to condense the bad news into one bitter pill, but to underscore the financial nature of our difficulties.

I said at the time that the state of our State was in many ways the state of our checkbook. And by that measure, Illinois was a very sick patient indeed.

It is customary, I suppose, for a new Governor to paint a bleak picture of the conditions he inherited . . . particularly when the State House was previously occupied by someone from the rival political party. But if a cry of alarm is not uncommon, the size of the actual threat we faced was.

Those who suggested at the time that I was overstating the case, need only to go back to that text with the advantage of 20-20 hindsight. Even a year later, it's figures still stand. The bad news was written not only in black and white, but in the red ink

of record deficits . . . with a bottom line that threatened every good thing that state government does or hopes to do.

The facts were simple. Three years of record deficit spending had drawn our state's resources down to a few days reserve.

Fiscal gimmicks and creative accounting had covered the truth from the people and penalized those who did business with the state.

Our (triple) AAA bond rating was in extreme jeopardy with the likelihood of increased borrowing costs for the construction of schools, hospitals, and roads.

All in all, Illinois faced the prospect of either bankruptcy or higher taxes. Without a distinct change in our spending policies, one of the two was a point-blank certainty.

These unpleasant fiscal realities were compounded by the presence of assorted time bombs, many of which had fiscal implications as well. These included:

1. Unsettled contracts for State employees.

2. A court-challenged freeze on hospital reimbursements.

3. A freeze on nursing home costs.

4. An exploding state prison population.

5. A complete lack of preparation to deal with energy shortages and the potential economic and personal disruption that they bring.

6. A whopping $750 million debt to the federal government for unemployment compensation loans.

7. An unmet constitutional mandate to create a new State Board of Elections.

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Some of these problems required executive action. Some required legislative action. And a number of them required both.

But in each case the issue was faced squarely, and what had to be done was done.

1. An equitable contract was negotiated with State employees which did not wreck the budget and yet held out the possibility of an additional raise if revenue increased sufficiently over budget estimates.

2. A settlement was negotiated with hospitals.

3. The freeze on nursing home costs was lifted.

4. Sites for two new prisons were selected, after full and open consultation with the communities involved and with cooperation of the Legislature to secure immediate bonding authority.

5. A contingency plan was drafted to meet an energy emergency with a graduated and logical response.

6. Legislative action was taken to resolve the unemployment debt to the federal government.

7. In spite of the obvious partisan nature of the issue, the General Assembly and the Executive Branch came together to agree on a State Board of Elections which was fair to both political parties.

In short, we had a lot of opportunities in 1977 to play the old politics . . . to point the finger . . . to blast the opposition . . . to duck the issue. And we didn't duck a single one. I take great pride in that. And every member of the General Assembly should, too.

* * *

Of all the ways we cooperated to avoid disaster none was more fundamental or more important than the passing of a balanced budget for the fiscal year 1978.

To put it mildly, this was a challenge. What we did to meet this challenge was very simple. We began by being honest about both the scope of the problem and the measures needed to deal with it.

We put a freeze on state hiring; a freeze, which according to figures provided by the Comptroller of Illinois, has reduced the State payroll under the Governor by 2,500 persons. More importantly, we began drafting a budget for fiscal 1978 that would put some money back into the bank.

We told the elementary and secondary education people in January that we were going to be able to give them 95% of full funding.

We were determined not to let school boards and administrators plan with one budget and then cut them off at the knees at the last minute. We said 95%. And we meant 95%. It's not the highest percentage that was every promised in this State, but it's the highest that was ever delivered. These early decisions also helped bring about more stability in education and a dramatic reduction in the number of work stoppages last year in the schools.

Then I went before the Legislature in March and explained the budget in detail. Many of you will remember coming to the mansion for my first budget briefing. Line by line . . . and expenditure by expenditure.

And finally we went to the people. Twenty-one times around the State I explained the budget. With charts and graphs I showed how much new revenue we could realistically expect . . . and more importantly . . . how little of that we actually had to spend as "new" money.

There were two results from that effort. One was a realistic appraisal of where fiscal 1977 would leave us. And the other was a better understanding of where we had to go in fiscal 1978.

We predicted a fiscal 1977 year end surplus of $48 million. We ended up with $52 million.

If we had been off . . . even by a relatively small amount . . . it could have spelled disaster. But we weren't wrong. Fiscal year end revenues were within two-tenths of one percent of our estimate.

Actual spending was within one-tenth of one percent of our estimate.

This high degree of accuracy did more than restore confidence in state government. It saved the people of Illinois money.

Illinois retained its (triple) AAA rating with the lowest interest rate since 1969.* And finally, and most important of all, in spite of pressure from many quarters to increase spending in a number of areas, a Democratic Legislature passed a Republican Governor's budget for fiscal 1978 virtually intact.

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*A chief analyst for a major bond rating service said that one more year of deficit spending and there was no way Illinois could have possibly retained it's (triple) AAA rating. And yet so impressed were they after their most recent inspection that they said their next scheduled visit would be unnecessary.

In doing that, I think we proved that our system of government does not always have to wait until the eleventh hour to act. When men and women of good will sit down in a spirit of cooperation and concern, there is little they cannot accomplish.

A balanced budget with no tax increase. It didn't take years to achieve. It didn't take miracles or tricks. It didn't even take an exploding and demoralizing crisis.

Rather you and I and all the people of Illinois did it in 1977.

As many crises as we diffused, it would be a mistake to view 1977 only as a cooperative venture in avoiding disaster. The record of legislative cooperation for 1977 went far beyond the nuts and bolts of hammering out a balanced budget.

* * *

Legislation was passed which reformed currency exchanges, reorganized law enforcement and administrative services, and provided tax relief for agriculture land owners.

We now have tougher State laws to deal with fraudulent medicaid providers and redlining. We've provided greater consumer protection in the insurance industry.

No legislative issue we faced drew more attention than criminal sentencing legislation. The public desire for tougher penalties against violent crime was overwhelming and the first steps to answer that demand were taken in 1977 with the creation of mandatory minimum sentences.

Tonight, as on most Wednesday nights, millions of Americans will watch the television program "Baretta" which opens with a musical warning: "Don't do the crime, if you can't do the time . . . don't do it." Thanks to the Class X package, that warning has now been codified into a bipartisan message from the government of Illinois to all who might consider acts of violence.

I will continue to work with you in 1978 to make sure that law is administered and implemented in a way that justifies our efforts and our concern.

One of the most exceptional displays of cooperation in 1977 involved not only our two branches of State government, but local and federal officials as well. After 15 years of stalemate, an agreement was reached to authorize construction of the Burnham Corridor, bringing over $1.4 billion in federal funds for a coordinated transportation program in Illinois.

As a result, over the two year period of fiscal 1978 and fiscal 1979 our State will have the biggest road program of any state in the nation, bar none. That means not only thousands of jobs, but a better transportation system for every citizen of our State.

In addition to these outstanding examples of legislative action, the executive branch worked to solve critical problems with better management.

Using federal funds, the Illinois Department of Transportation took over the Paris to Decatur railroad line and not only saved it from abandonment, but actually ran it at a profit. This line was recently transferred to the Wabash Valley Railroad under a

contract for improved service. Other transportation initiatives focused on reviving Midway Airport, restructuring the East St. Louis rail terminal system, making port districts self-sufficient and improving the safety of motor vehicle travel.

Many of these programs depend almost entirely on federal dollars, and both the Governor and the Secretary of Transportation have gone to Washington time and again to insure that Illinois finally is getting its fair share of that federal dollar.

Other administrative measures produced impressive economies, as in the field of unemployment insurance claims. In 1976, 13 percent of initial claims for such insurance were found to be unjustified and were denied. In the quarter ending September 30, 1977, the figure had risen to 28 percent. This increase is directly attributable to a series of training sessions for claims adjustors held throughout the State last June and July.

In addition, the requirement that claimants report periodically to local offices for eligibility reviews has contributed to a 15 percent disqualification rate.

The message in these actions should be clear. Employable persons in Illinois now have three choices. They can be working. They can be looking for work. Or they can be looking for another state in which to collect unemployment insurance.

But as much as we want to eliminate fraud, I also believe people who deserve unemployment compensation deserve it as soon as possible. You can't buy bread or pay a utility bill with money the government owes you.

That's why it's important that legitimate payments to jobless individuals are speedier than ever. The rate of in-state benefits paid within 14 days improved from 69.6 percent in the last quarter of 1976 to over 90 percent in the third quarter of 1977. Where Illinois had been ranked 46th out of 50 states by the U.S. Department of Labor in this regard, it is now ranked 4th.

This combination of reducing unemployment fraud while at the same time cutting the red tape faced by legitimate beneficiaries is an example of the theme I stressed last year in the State of the State message. At that time I said that, "a government which limits itself to compassion for the needy and efficiency for the taxpayer shortchanges both. In 1977, the government's job must be to provide more efficiency for the needy and more compassion for the taxpayer."

These statistics show we didn't just talk about those two goals. We acted. And in less than one year, we got results.

Public aid received similar administrative scrutiny. By removing ineligible persons and through economic growth, the Aid to Dependent Children caseload in Illinois dropped for nine months in a row, beginning in April of last year and continuing right up through December.

This is the biggest drop in welfare rolls in Illinois history.

The level of medicaid expenditures also showed signs of progress. In spite of soaring medical costs nationwide, the Illinois medicaid budget for fiscal 1978 increased by less than 10 percent . . . a fraction of the nearly 30 percent increase of two years ago. After three consecutive years of $100 million plus

deficiencies in public aid funds, we now finally have a budget for fiscal 1978 that is on target. As a result of these efficiencies, we can . . . and I do . . . support a five percent increase in the level of public aid payments. No one suffers from inflation like the poorest among us, and our level of assistance has been frozen since 1974. These people need and deserve more help.

We can give them that help in fiscal 1979 because we ended deficit spending in fiscal 1978.

Administrative efficiency in other areas has produced smaller but equally satisfying results. For the first time in a number of years, the State Fair was run at a profit, eliminating the need for a subsidy from the taxpayers.

Heads up action by our Washington Office recognized and prevented a Carter Administration proposal to limit retroactive state claiming rights for federal reimbursement in the social services area . . . a move that would have cost Illinois up to $27 million annually. That one victory, made possible only because we had people looking out for Illinois in the Nation's Capitol, was enough to pay for our Washington Office for the next 100 years.

Every one of these developments saved money for the taxpayers of Illinois. Every one made it just a little bit easier to balance next year's budget. Every one improved the efficiency of government without increasing the cost.

Another initiative which may not actually save money, but will provide better service is the current internal reorganization of the Department of Children and Family Services. The history of waste and insensitive management in that agency is well-known, and we are at last making some progress in turning that record around.

Another agency which has benefitted greatly from internal reorganization is the Department of Aging. This is important because no group of citizens is more deserving and yet more vulnerable than our older citizens. With the reorganization complete, the Department of Aging can now go on to increase the services provided by community care centers in such areas as employment, housing referrals, home services, and increased opportunities for voluntary work.

State mandated programs have provided a source of controversy for many years. Thanks to the work of the Commission on State Mandated Programs under the able leadership of Lieutenant Governor Dave O'Neal, we now have a better understanding of how these programs burden local government. We also have a firm resolve to avoid any mandated programs which might increase that burden without providing appropriate financial support.

* * *

This, then, is where we are in January of 1978 . . . responding not only to past mistakes and present crises, but to future needs as well. And what of that future? What does 1978 hold for the State of Illinois?

French novelist Victor Hugo once said that the secret of great government was, "knowing exactly how much of the future can be introduced into the present." He might have added that it was also important to keep your eye on just how much "future" you can afford.

I am well aware that this is a budget session . . . limited by law to the budget and emergency measures.

Regardless of which topics ultimately receive serious attention, it is essential to remember that the fiscal crisis is still very much with us. No one should be deceived on that point. It is true that we have given ourselves a little margin in the General Funds. But it is still a small one. Even as we meet, new fiscal realities may be chipping away at it. Only 11 days ago, Social Security Tax payments were increased. This means less take home pay for the people of Illinois. What will that do to sales tax collections? And how about the still larger increases scheduled for next January . . . half way through fiscal 1979? What effect will they have on the budget we will pass this Spring?

The same bond rating houses that affirmed our (triple) AAA rating last year, are perfectly capable of taking it away should we veer from our course. And the continuing inability of New York City to dig itself out of financial disaster should be ample warning to those who would tamper with, or undo, the fiscal progress we made in 1977.

Nor is that altered by this being an election year. Let it be said right now and as firmly as possible: no one . . . not me . . . not anyone in this chamber . . . is going to run for office with a campaign based on excessive public spending.

Legitimate public financing of campaigns may have come to national politics, but we are not going to slip it in the back door of state government, by "budget busting" in 1978. This is one year and one State where we cannot afford to have any candidate spend his way to election.

Beyond the continuing need to hold down spending, several areas deserve the immediate attention of the General Assembly.

One of the most important in my book is jobs, for jobs not only lessen the costs of government, but produce the revenue that makes everything we do possible.

We have already made a good start in this regard. 1977 saw a record 3,700 new jobs and an estimated $165 million in new capital investment, attracted by the Department of Business and Economic Development, from such firms as Season-all, Kal Kan and Electro Minerals. In addition, the Crosstown agreement will contribute thousands of jobs and a tremendous ripple effect for years to come.

On an individual basis, the State's effort improved, too. The total number of persons placed by the Illinois Job Service nearly doubled in the fiscal year ending September 30th . . . from 82,000 to 146,000. The number of youths and minorities placed in jobs more than doubled.

To build on this record the Legislature should consider the following measures in 1978.

1. Continue a strong capital spending program to provide even more jobs in the construction and road building industries. However, this goal must be achieved with available resources to preserve our credit rating and avoid higher interest charges.

2. Provide direct incentives for job creation enabling us to compete with other states which already have similar incentives.

3. Reorganize state government to coordinate our efforts to support local job creation and siting development. Additional reorganization should be done to coordinate the job training and placement functions now performed separately by a number of agencies.

I promise to continue taking personal action in securing new jobs for Illinois, action which played a role in filling the abandoned G.E. plant in Decatur with 1,000 new jobs with Season-all.

Beyond the budget and the jobs picture, there are several other areas which deserve immediate attention. One of the most urgent is the passage of the Equal Rights Amendment.

A guarantee of equal rights has a tremendous impact on the quality of the lives we lead. We've debated this issue a lot, but the time for debate is over. Let's do the right thing, and pass the Equal Rights Amendment without delay.

The same type of considerations argue strongly for reform in our system for selecting judges. Merit selection of judges would remove this critical function from the shifting winds of

the political arena and serve to insure a judiciary that is untainted by political considerations. This General Assembly should act, and act now, to put merit selection of judges before the voters in the November, 1978 election.

Another area of critical concern to the citizens of Illinois is property tax reform. I believe the real problem here may not only be an inequitable distribution of the burden, it is that the burden itself is too big. Local government spending is rising faster than that of any other level of government.

I will look carefully at all ideas for property tax reform . . . Republican ideas as well as Democratic ideas . . . and work closely with the General Assembly to find real answers to this continuing dilemma.

Medical costs are another area which generates a rapidly increasing burden for the citizens of Illinois. As a large scale purchaser of health care the State has the economic clout to have a significant effect on the marketplace. Last year we began with the creation of a Purchase of Care Review Board to equalize payments for similar services.

This year, we will institute an improved mechanism for reviewing and setting reimbursement rates paid by the State to health care providers. Details will be forthcoming when those programs are announced.

There are a number of other issues important enough to require legislative action in 1978.

We have to make our educational dollar go farther, with more money for teaching the basics and less money for administration. We have to increase overall school aid beyond "full funding" of the current formula, while at the same time insuring that if the formula changes, it must be equitable throughout the State and "fully funded" from the beginning.

We have to close loopholes in campaign financing and put meaningful reporting requirements on lobbying. We have to continue reorganization of State government, expand our transportation program, improve our capacity to get jobs for people on welfare and get more federal money for youth unemployment.

It's a sizeable agenda. I'm sure each member of the General Assembly has a sizeable agenda of his or her own.

But what is important is not to argue in advance on the topics we should consider. What is important is to agree on how we will consider them . . . whether we will show the same courtesy and respect and energy and practicality that we showed last year.

For if we are honest about it, we know that our personal list of issues may not even be relevant. Politics has a way of turning the tables on anyone who plans too far ahead. And the most important issue of 1978 may well be one that is on no one's list right now . . . an issue we cannot even foresee.

But whatever the future holds . . . new issues or old . . . we can plan right now to meet them in the same spirit that we met them in 1977.

That spirit of '77 really was unique. It produced a group of men and women who acted in ways that elected officials don't often act . . . or at least don't act often enough. Ways that answered serious problems and won public confidence. Ways that time and again put aside partisanship for the public good. Ways that in a very real sense made certain ideals come to life and created a government that all the citizens of Illinois could indeed be proud of.

I'm glad I could be a part of that spirit and the achievements it produced. It is a source of very deep satisfaction to me, as I hope it is to you. And if I would have one parting wish for that concluded year of 1977, it is that it not remain a unique year for very long . . . that 1978 finds the spirit undiminished and ready to tackle a new legislative session with the same productive attitude. If we want to build on a solid record of progress . . . and we can . . . if we want to continue choosing cooperation over conflict . . . and we should . . . if we want to once again serve the people of Illinois by meeting serious problems head on in a bipartisan manner . . . and we must . . . then the opportunity is there for another historic year.

Another governor by the name of Woodrow Wilson once said, "Government is not a warfare of interests. We shall not gain our ends by heat and bitterness, which make it impossible to think either calmly or fairly. Government is a matter of common counsel, and everyone must come into the consultation with the purpose to yield to the general view, which seems most nearly to correspond with the common interest."

I ask you to once again come into that consultation with me . . . so that together we can pursue that common interest.

Thank you.